

**QUARTERLY STATUS REPORT**  
**TO CONGRESSIONAL SUBCOMMITTEES ON APPROPRIATIONS**  
**ON THE MANAGEMENT OF INDIAN TRUST FUNDS**  
**FOR THE PERIOD ENDING DECEMBER 31, 1991**

**I. MANAGEMENT ISSUES**

The Bureau of Indian Affairs (BIA) Management Improvement Oversight Committee, the top level oversight structure established by Secretary Lujan and Office of Management and Budget (OMB) Director Darman, met twice during the 1st Quarter of Fiscal Year 1992 to assess the status and progress of the BIA management improvements, concentrating on trust fund management.

Shortly after the end of this reporting period, the Department was notified (Attachment 1) by the Federal Deposit Insurance Corporation (FDIC) of the FDIC's rejection of a petition for recovery of approximately \$120 thousand in Indian trust fund losses against Federal Savings and Loan Insurance Corporation-insured institutions on behalf of several Tribes and the BIA irrigation and power systems. The Department's Solicitor is reviewing the Department's options in this matter.

A developing major issue in the Trust Funds Management Improvement Program is the question of the cost and proper scope of the reconciliation effort. Examination and discussion of the results to date from Phase I of the Reconciliation Project make clear that the accounting reconciliation contemplated in the contract with Arthur Andersen & Company would be more expensive than originally anticipated--especially in the case of individual Indian monies (IIM) accounts. There are also several issues about assurance of proper lease ownership and distributions related to the accounting for Tribal and individual Indian trust fund accounts that require further discussion.

Analysis of this issue continues by the BIA, OMB, Arthur Andersen & Company, and the Association.

**II. CONSULTATION**

The consultative process continued with the group of Tribal representatives affected under Phase I of the Reconciliation Project--as represented by the Association. Officials from the Office of the Assistant Secretary - Indian Affairs, the Office of the Deputy Commissioner of Indian Affairs, and the Director, Office of Trust Funds Management met with representatives of the Association numerous times in a variety of forums. In addition, correspondence was

changed between the parties on a number of issues and frequent telephone contact is a continuing process.

The parties meet several times to assess results and progress in Phase I of the Reconciliation Project, to discuss scope and materiality issues, and to review cost and effort estimates prepared by Arthur Andersen & Company. Assessment meetings were regularly attended by representatives of the Office of the Assistant Secretary - Indian Affairs, Association members, and representatives of the Office of Management and Budget (OMB), the General Accounting Office (GAO), the Department's Inspector General (IG), and the Solicitor's Office.

In addition, a planning session was held in Albuquerque, New Mexico among personnel from the OTFM, Arthur Andersen & Company, and the Association in mid-November, 1991. There was also a representative of an allottee association present. During this session, alternative reconciliation scopes and approaches were discussed and additional research requested of the contractor.

Members of the Association have been invited to make presentations concerning trust funds management issues at meetings of the Joint Tribal/BIA/DOI Advisory Task Force on BIA Reorganization.

### **III. HIRING AND ORGANIZATIONAL ISSUES**

The BIA's Office of Trust Funds Management filled 3 additional positions during the 1st Quarter, bringing the total of permanent or temporary positions filled within that Office to 44 of the 51 authorized. Recruitment and selection of the balance of the staff for the Office of Trust Funds Management is proceeding.

As discussed during last quarter's report, BIA has been considering organizational options for the Office of Trust Funds Management. In this regard, a proposal by the Office of Trust Funds Management was briefed to the Association during this reporting quarter. (A document containing the proposal was forwarded to the Inter-Tribal Monitoring Association in late January 1992 for the Association's input prior to formal review by the BIA Task Force on Reorganization and the Department). The Association was asked to focus mainly on the structural concepts for the Office of Trust Funds Management. A revised alignment is being considered that provides for a different alignment of the current four main divisions. Under the proposed realignment, OTFM would be structured into elements for Trust Fund Accounting, Trust Operations, Trust Financial Systems, and Quality Assurance. These later two elements bring focus to the Office's responsibilities for major systems development and management and for trust fund quality assurance including the continuing oversight of account reconciliations by BIA field activities. This realignment responds to known systemic problems of internal control and accountability both within OTFM and in the field which could be substantially aided by proper structure, responsibility and

accountability. It is our further view that OTFM is not adequately staffed to undertake the various improvement projects and day-to-day activities. Staff increases to provide technical assistance and manage the improvements projects will be necessary. Additional resources for this purpose are included in the FY 1993 budget.

A Trust Funds orientation training course was developed and held in the 1st Quarter for approximately 40 Area/Agency field staff. Areas of coverage were Tribal trust funds, individual Indian monies, investments, and trust funds management systems.

#### **IV. CONTRACTS**

Work under Phase I of the Reconciliation Project for tribal and individual Indian trust fund accounts continued by Arthur Andersen & Company. As discussed below, Arthur Andersen & Company focused on developing alternatives to the reconciliation approach and developing definitive cost estimates for the reconciliation/reconstruction project.

COMSIS Corporation continued work to enhance and integrate the systems used by the Office of Trust Funds Management in administering overnight investments with Treasury and certificate of deposit bids.

Correa Enterprises Incorporated completed field work on the documenting and the flow charting of trust data document processing within BIA's Integrated Records Management System and BIA's Finance System, and commenced further systems documentation efforts.

The trust fund portfolio accounting contract with Wismer Associates, (now Sungard) for the MoneyMax product was extended for Fiscal Year 1992.

#### **V. RECONCILIATION AND AUDIT PROJECT**

During the 1st Quarter of FY 1992, the contractor commenced Phase I reconciliation work as specified in the contract. This included work on Tribal accounts in Albuquerque and pilot efforts for individual Indian Monies (IIM) accounts at 3 designated Agency locations: Uintah & Ouray, Fort Peck, and Olympic Peninsula. The reconciliation methodology, processes, software and hardware were routinized. Inventories of records at all BIA operational levels, GSA record centers and the National Archives were accumulated and creation of a database containing the information was initiated. Electronic accounting transaction data files were identified and the Phase I records made available by BIA to the contractor. Record organization and imaging processes were perfected and are operational.

In November 1991, the decision was made in consultation with the Association to change the approach to a full scale reconciliation of all Tribal accounts for all FY 1990 transactions. Likewise, the pilot reconciliation for IIM accounts was concentrated exclusively on the trust records in the Olympic Peninsula Agency for all FY 1990 transactions.

Over the course of the 1st Quarter, three meetings (October 23, November 14 - 15, and December 13, 1991) were held to assess the progress of the project and to draw conclusions about the Phase I "research and development" effort.

By October, 1992, Arthur Andersen & Company's Phase I work disclosed that the Reconciliation Project would be quite expensive. Based on tracing all transactions to statements of account, the cost estimate was pegged at over \$5.6 million for the reconciliation of Tribal accounts and as much as \$200 million for individual Indian money accounts. As reported in the cover letter to the last report, the original procedures proposed to reconcile accounts were extremely time-consuming and labor intensive. Arthur Andersen & Company attributes this to its assessment that the volume of source document records is very large; that BIA's trust fund files are poorly organized and in bad condition; and that large volumes of hard copy information require manual handling and automation prior to formal reconciliation work.

In November, following further analysis, a possible project scope revision was examined, which categorized the effort into groupings such as reconciling only transactions that exist in electronic format (nine years for Tribal and five years for IIM); reconciling prior years of manual data in 10 year increments; targeted accounting systems reconciliations; and various tests of ownership records and operations. The stated purpose for the alternative approaches and scope was to contain costs.

Arthur Andersen & Company estimated Tribal reconciliation under the revised scope and approach to cost \$3.3 million to do the 9 years of electronic data. If an additional ten years of transactions were reconciled it would cost another \$2 million or a total of \$5.3 million for 19 years. The cost estimates did not include the reconciliation of tribal IIM accounts, ownership testing or tribal interest in allotted lands. Estimates for IIM accounts showed that reconciliation, even on a reduced scope, continued to be very costly. Arthur Andersen estimated the cost to be over \$58 million to reconcile all IIM transactions for the proposed 5 years. These figures were updated and presented to the various parties in January 1992. A copy of those estimates is included as Attachment 2.

Work continues by the BIA, OMB, Arthur Andersen & Company, GAO and the Association to scope the size and complexity of reconciliation and reconstruction of all Indian trust fund accounts.

Work group in BIA's Office of Trust Funds Management and the Financial Management Improvement Project Team working with the Division of Accounting Management, has commenced reconciliation of trust fund accounting records with counterpart, official Department of Treasury records. Work has also been initiated to reconcile various internal subsidiary accounting records with the accompanying general ledger accounts, and with the several trust funds accounting and investment subsystems currently in use.

## VI. SYSTEM DEVELOPMENT

Our previous report included discussion of four planning documents to guide Indian trust fund improvement efforts: the *Reconciliation Project Management Plan*, published in September 1991; *Fiscal Year 1992 Short Term Projects*, which was completed during the reporting quarter; a *Strategic Planning Framework*, currently with the Association and others for review and comment; and a *Strategic Plan for Indian Trust Funds Management*, which will be commenced shortly based on the *Framework*.

The *Strategic Planning Framework* is nearing completion. Comments are due back from the Association at the end of February 1992, at which time the *Framework* will be published to serve as the guide for development of BIA's *Strategic Plan for Indian Trust Funds Management*.

In October 1991, the BIA Division of Accounting Management, assisted by a Departmental Financial Management Improvement Team (FMIP), successfully converted BIA's administrative accounting system to the Department's standardized accounting system, the Federal Financial System (FFS). Since Department of the Treasury periodic reporting requirements call for integrated data from the BIA, including financial information on Indian Trust Fund balances, the FMIP Team is analyzing the feasibility of using certain FFS modules to provide general ledger accounting for the Indian trust funds and to provide subsidiary accounting for Tribal trust fund balances. Initial indications are promising; research and coordination within the Department is continuing.

The Office of Trust Funds Management neared completion of the Standard Form 1081 Reconciliation Project. The SF 1081 Project is designed to automate comparisons between BIA's Royalty Distribution Reporting System and the Minerals Management Service's royalty payment information being submitted on manual and automated SF 1081's, and to enhance interest distribution. A later enhancement will improve report generation.

~~Another systems-related effort bears mention. The Trust Disbursements Project has been formulated to respond to allottee and litigation complaints that the Department was not complying with requirements of the Federal Oil and Gas Royalty Management Act of 1982. Specifically, oil and gas disbursements to~~

Allottee recipients are to be accompanied by an Explanation of Payments (EOPs) covering the check disbursement.

Under the Trust Disbursements Project, the Anadarko Area Office has been designated the responsible BIA office for printing and mailing IIM oil and gas EOPs in the same envelope as the oil and gas disbursement checks. (Until January 1, 1992, the Bureau of Mines printed and microfiched IIM statements and EOPs).

The Anadarko Area Information Management Center (IMC) acquired a Xerox laser printer which has allowed the IMC to not only accommodate the above mentioned items, but also to handle the printing and mailing of information on taxable trust income in 1991 1099-INT forms to IIM account holders.

To complete the capability, the Office of Trust Funds Management is purchasing for the Anadarko Area IMC a mailing system that "stuffs" multiple items into a single envelope and also meters and stamps appropriate postage. The mailing system is due to arrive in Anadarko on approximately March 15, 1992. Upon receiving this mailing system, the Anadarko IMC will print and mail oil and gas disbursements and EOPs to recipient Indian allottees for all servicing BIA Area/Agency Offices. In the meantime, a contractor will be utilized for stuffing services. The microfiching of IIM statements will be handled under existing contracts.